



Credit Corporation 2022 AGM

Danny Robinson
Group CEO Address
24 June 2022

Thank you, Richard.

And thank you to all our shareholders who have joined us today.

Many of you know I joined Credit Corporation PNG Limited as the Chief Operating Officer in 2020, and today I am honored to be with you as the Group CEO, and to lead one of PNG and the South Pacific's longest standing financial services companies at such a pivotal moment in our evolution.

As our chairman has mentioned, FY21 has been both a challenging and transformational year for Credit Corporation.

While we continue to manage our way through the pandemic, our priorities have remained on delivering for our stakeholders, including, our customers, employees, communities, shareholders and the economies of the Pacific, as they are at the heart of everything we do.

Our successes

With the approval of central banks across our four jurisdictions, we introduced customer support measures such as repayment holidays. We are proud to have helped so many individual customers across the Pacific, most of whom have been able to return to full repayments.

With over 280 employees working across Papua New Guinea, Fiji, the Solomon Islands and Vanuatu, together we have built a collaborative and inclusive environment where our people feel a strong connection and commitment to our purpose.



For our communities, we continue to make a tangible impact. We have donated medical supplies to hospitals, helped vulnerable children to continue with learning and reading activities, implemented local financial literacy initiatives and supported the University of South Pacific a premier regional university, and Leadership Fiji in empowering and recognizing our future pacific leaders.

For our shareholders we have delivered solid returns, and value through our strong balance sheet.

All of these initiatives, including the retention of the group's workforce, contributes positively to the local economies in which we operate.

Financial performance

Turning to the financial performance, the Group achieved a major improvement in 2021 despite volatile economic conditions. This was due in part to the recovery of our customers' financial well-being and re-commencement of loan repayments following loan repayment holidays.

We have more than tripled earnings and maintained balance sheet strength.

The Group achieved a 208% increase in Core Operating Profit and 250% increase in NPAT in FY2021 compared to the previous corresponding period. We delivered improved financial results having benefitted by our disciplined control of margins and operating costs, augmented by lower impairment costs because of the company's increased focus on collections and credit management procedures.

The Group's important liquidity and funding ratios were in line with targets and the Tier 1 Risk Weighted Capital Ratio improved 700bps to 43.5%.

We had a 43% reduction in total expenses and reduced our total impairment costs by K59.3m.

With regard to the financial performance for FY2021, the Board has approved a final dividend per share of 13.4 toea per share bringing the total dividend per share to 18.0



toea for the full year. This represents 70% of reported earnings and as the Chair noted, is the top end of the Group's policy range with regards to the dividend payout.

Core business areas

The **Finance** division achieved NPAT of K25.8m, compared to a loss of K6.1m in FY20.

The favorable financial performance is attributed to tight control of expenses and lower impairment costs on the back of concerted collection effort.

Despite the strength of our finance company franchise throughout the Pacific, the net loan book declined by 18.8% to K410m compared to K504m in FY20, reflecting the operating difficulties faced by the Group's customers.

In line with the reduction in the loan book, the Group reduced its term deposit rates, which in turn reduced deposit levels while lowering finance costs.

This enabled the division to increase its net interest margin to 13.7% from 12.8% in FY20.

The **Property** division achieved a Core Operating Profit of K10.2m which was down 11.3% from K11.5m in FY20. This reflected the weaker demand for residential properties as COVID-19 restrictions caused companies to re-evaluate their staff accommodation requirements.

The Group's **Investment** division provided enhanced investment income of K52.9m, up from K44.0m in FY20.

The valuation of shares in Bank South Pacific increased by 2.1% compared to FY20 and the overall dividend yield increased by 180bps, mainly due to the increase in dividends received from BSP in FY21

Reshaping our senior team

As the Chair highlighted, the Credit Corporation Group we are building will be profoundly different from the Group of FY21. We are on a significant new pathway to



becoming a simpler more focused business and transforming the Group into a full-service commercial bank.

To drive this positive and exciting change requires the right mix of expertise across the executive team. To this end we have made key changes at the executive management level including the appointments of:

- Lynda Kahari as Head of Customer Strategy
- Andre De Bakhapouve as Chief Risk Officer
- Rei Vagi as Chief Financial Officer; and
- Anneka Linge as Company Secretary

Furthermore, we have enhanced our operating structures to drive our decision making and create clear accountability for our activities.

We also developed a refreshed mission and purpose, and new strategic priorities underpinned by our core values.

Outlook for the future

In the short term, border re-openings and easing of COVID-19-related restrictions are expected to positively impact our finance and property divisions in PNG and across the three Pacific jurisdictions.

With improved economic growth forecasts, there is potential for positive benefits to flow through to multiple sectors.

In FY22, we will continue to make progress on simplifying our business, and growing our core finance company franchise, while strengthening risk management.

Lending demand is expected to gain momentum as the economy improves.

Essentially, we are entering FY22 in good shape with a renewed purpose to transition to a bank.



We have been working with IFC, a member of the World Bank Group, to identify the initial steps required for Credit Corporation to transform to become a niche local commercial bank.

This includes divesting non-core assets; making structural changes to optimize the value proposition as a financial services group; and focusing on effective pathways to enhance investor participation in the long term. These objectives will drive the focus for the senior management team.

In closing, I would like to thank our people, the executive and leadership teams and our Board for their ongoing commitment. Despite the challenges, together we have worked diligently to meet the needs of our customers across the Pacific.

I would like to thank all shareholders and customers for the trust and confidence placed in Credit Corporation.

It is a privilege to lead the company through this next phase, during which, we will remain committed to delivering long-term value and seeing our strategic plans come to fruition.

Thank you for joining us today.